

Straight Talk.

March 2008

Volume 3, Issue 1



8790 Governor's Hill Drive, Suite 205
Cincinnati, Ohio 45249

622 N. State Street
Westerville, Ohio 43082

(888) 697-9555 • (513) 677-3100
www.cbcsuso.com

In This Issue:

Growing Opportunity

CBS News

New Credit Unions

Best Practices

Credit Union Showcase

CCDC-New Member

Loss Payee Clause

Testimonials

SBA Programs

Rates

CBS NEWS:

FirstDay Financial Credit Union (Dayton, OH) is now APPROVED to participate in the SBA 7a Program.

Clyde-Findlay Area Credit Union, KH Network Credit Union, and Marion Community Credit Union are in the process of securing approval to participate in the SBA 7a Program.

Business Services: A Growing Opportunity for Credit Unions

Bank of America recently announced they are pulling back from small business services as losses begin to mount. Wells Fargo is similarly concerned. The global credit crunch, fueled by the sub-prime mortgage fiasco, has crept its way into small business lending. Traditional sources of credit for small business owners are drying up.

And all the while business – good, high quality business - are booming at Wright-Patt Credit Union, Cooperative Business Services, and credit unions across the country!

The facts speak for themselves. Member business loans represent the fastest growing loan category for credit unions at 17.2% as of the third quarter of 2007. At Wright-Patt Credit Union, business loans grew 59% in 2007 and business deposits were up 45%.

The reason? Credit unions have money to lend. We have not been affected by the credit crunch nearly as much as larger lending institutions. We are better at managing relationships with small business owners because of our not-for-profit philosophy. And, the expertise at Cooperative Business Services ensures we make prudent lending decisions that result in high quality, high earning assets for our balance sheet.

Indeed, there may never be a better time to get involved in offering services to your members who own businesses. The demand certainly exists to support investment into this area, and in a time of low consumer loan growth for most Ohio credit unions, loans to small business owners represent a relatively untapped market for quality loan growth.

Offering business services is not terribly difficult, but it does take a commitment that should be complete as well as long term. Business relationships take time to cultivate ... some loans take months from an expression of interest to becoming an earning asset. In some cases loan amounts exceed a credit union's funding appetite, requiring collaboration among other CUs to meet a borrower's requirements. And in all cases business lending requires different underwriting skills and experience that don't usually reside within a credit union's consumer loan department.

For each of these unique challenges, Wright-Patt Credit Union has found Cooperative Business Services ("CBS") to be an ideal partner for building market share in this growing area. CBS is owned by credit unions and shares our philosophy of service to members. They provide back-office expertise in business lending, allowing our own staff to develop key relationships within the business community. CBS even provides a conduit to other credit unions for funding larger loans. The result is a high-earning loan portfolio in excess of \$19 million and small business deposits of some \$11 million for our credit union, without a single credit loss to date.

When it comes to looking for new business opportunities, one of my favorite quotes is this: "Great fortunes are made not when violins are playing in the ballroom but when bombs are dropping in the harbor." That's the situation we have today ... traditional lenders to the small business community are pulling back from the market, causing turmoil and retraction in traditional sources of business credit. Credit unions are perfectly positioned to step in and help our local economies grow. Will your credit union step up to the opportunity?



Doug Fecher-President & CEO
Wright-Patt Credit Union

CBS would like to welcome First Ohio Credit Union and Buckeye State Credit Union as the newest credit unions to affiliate with the CUSO. We look forward to working with everyone and establishing great partnerships.
WELCOME!!!



“CCDC” appoints new committee member



Bill Burke, President and CEO of Day Air Credit Union, has recently been appointed to the Loan Review Committee of Community Capital Development Corporation (“CCDC”) in Dayton, Ohio. The seat was vacated by Scott Rutherford, President and CEO of CODE Credit Union, after fulfillment of a one year commitment to serve on the committee. The CCDC committee reviews loan requests on area commercial real estate projects utilizing the Small Business Administration (“SBA”) 504 loan program. Congratulations, Bill!

Best Practices-Closing Techniques

If the most important part of the sales call is “asking for the business”, then why is it that many sales professionals avoid this critical step in the sales process? Some may avoid asking for the business to avoid objections or rejection. However, if all questions have been answered and the sales professional is confident the process has gone well it is time to attempt to “close the sale”. Below are several suggested techniques. Once a sales professional becomes comfortable using one or two of the techniques, then asking for the business will become a natural, part of the sales process:

Alternative Close –The alternative close works by offering more than one alternative to the potential customer. Limit the number of alternatives to two or three to avoid confusion.

Example: Do you prefer a fixed or floating rate to finance the purchase of this equipment?

Conditional Close – When the potential customer offers an objection, resolve their objection as a condition that they agree to purchase.

Example: If I can fix your rate today will you sign our proposal?

Never the Best Time Close – When a prospective customer procrastinates their decision to buy now, show them that their delay will either create no advantage or possibly be a disadvantage.

Example: If you wait six months to make your decision to refinance, rates could increase during that time. OR Timing is never optimal to make a change, but I will assist you to minimize the pain of transition.

Summary Close – Summarize the list of benefits they will receive, detailing the full extent of what they are getting for their money.

Example: In addition to a lower interest rate, you will receive top notch customer service from an organization with low turnover and 85 years of business experience.

Practicing and becoming comfortable with a few closing techniques is key to success. Happy and Successful Selling!



Debbie Scheetz
VP/Business Development

Credit Union Showcase



Abbey Credit Union

Vandalia, Ohio

(937) 898-7800 or (800) 546-8882

www.abbeycu.com

Abbey Credit Union, a full service financial institution started out in November 1937 from very humble beginnings in a half-double house located on Abbey Avenue in Dayton, Ohio. Incorporated under the name, “The Inland Employees Credit Union.” As its membership grew beyond the Inland employee group, the name was changed to Abbey Credit Union. The building on Abbey Avenue was then replaced by a larger house just up the street to N. Dixie Dr. Vandalia.

Abbey Credit Union growth can be traced to its ever expansion of services which credit unions should provide in their scope of operation. To facilitate this progress a larger and more modern facility became a necessity.

On September 16, 1996, Abbey Credit Union opened their new and current home at 800 Falls Creek Drive, Vandalia, Ohio on the corner of Northwoods Boulevard and Falls Creek Drive located in the Northwoods Business Park. Today, a full service financial institution it stands as a monument to community progress and as a symbolic tribute to all who have helped make Abbey Credit Union what it is today – a credit union built on and dedicated to service.

Abbey Credit Union has over 6,000 members and more than \$40 million in assets. This would not be possible without the help of its great staff, managers, and support of associations the likes of Cooperative Business Services (CBS) who have worked diligently to make Abbey Credit Union a success. Abbey’s alliance with CBS has allowed us the opportunity, security, and confidence necessary in the servicing of business loans to existing or potential new members. Our ever-increasing growth reflects the faith and confidence members entrust in us. Our gratitude goes out to Cooperative Business Services (CBS) and its employees - they have shown our members outstanding service and support.



AurGroup Financial Credit Union

Fairfield, Hamilton, West Chester, Cincinnati - Ohio

(513) 942-4422 or (800) 442-7998

www.aurgroup.org

AurGroup is a financial institution owned and operated locally by people in your communities. We are your neighbors. People you can trust and friends whose advice, high service standards and products are geared toward building relationships that satisfy your unique financial needs.

AurGroup’s assortment of financial services and approach to service are designed to meet the needs of both individuals and small businesses. Small business owners are served with products and services that help grow and manage the financial aspects of a small business with greater convenience and efficiency.

“Thanks to our partnership with CBS, we can serve small business lending needs as well. Whether your business is looking for a one-time loan disbursement, a revolving line of credit, commercial real estate loans, business term loans – or all of the above, AurGroup is here to help,” states Tim Boellner, CEO of AurGroup.

Lender's Loss Payable Clause

As lenders, we understand the importance of insurance. It protects the collateral that you have based your entire loan upon. We know for contents coverage we require a loss payee clause and for real estate property we require a mortgagee clause – but there are different ways of designating these.

Certificate Holder – As a certificate holder, you are only entitled to receive notification of termination of insurance. You will not be able to collect on insurance proceeds.

Additional Insured or Loss Payee/Mortgagee – As the additional insured or loss payee/mortgagee, you are entitled to receive any proceeds from the policy upon the event the property is damaged or destroyed. The proceeds can be used to replace the collateral or pay off the debt. This clause will provide the collateral protection you require if the loss is caused by unintentional acts or circumstances. It does not, however, provide for any protection in the event of fraud or a breach of the policy.

Lender Loss Payable – The lender loss payable clause provides the most comprehensive protection you can get. This clause will provide the lender with full collateral coverage despite any fraudulent acts or breaches determined by the insurer and would even cover such acts as arson. Basically, the lender will be paid off no matter what the circumstances.

The lender loss payable clause is always the best clause to have on the insurance certificate or policy. It does not need to go through underwriting on the insurer's end and does not cost the insured anything additional unless the collateral is marine or aircraft. You will find, however, that many insurance agencies will not always be cooperative in providing you with this clause. It will be the lender's responsibility to make sure that the clause is referenced as *lender* loss payable and not just loss payee when you receive the insurance certificate. As the lender, it is your right to require sufficient insurance coverage on your collateral and you may need to ask the borrower to assist you in getting this clause added if you run into resistance from the insurance agency.



Elizabeth Shanahan
SVP/Compliance

TESTIMONIALS

Supply One Corporation



"I always thought of a credit union as a place for a savings account or a car loan. Fortunately, a business associate introduced me to Cooperative Business

Services and Debbie Scheetz. At the time I was looking for a new financing package that differentiated itself from the far off world of corporate banking. She was able to understand the needs of my closely held business and put together financing locally through CODE Credit Union. Cooperative Business Services and CODE Credit Union have provided us with great services and cost savings accounts with easy and convenient daily access on the internet and at the branch. Overall my experience with Cooperative Business Services and CODE Credit Union has been beneficial to my business."
- Rick Flaute

Hondros Nursing College



Time was of the essence for this deal. This newly constructed state-of-the-art nursing college was complete and students were arriving daily. Hondros College turned to

Cooperative Business Services to permanently finance this building once construction was complete and the building was occupied. With KEMBA Financial Credit Union as our lead credit union, we were able to seal the deal in record time.

"...Relationships still matter, CBS LLC and KEMBA provided timely and professional service that was second to none" - Linda Hondros

"...I found CBS, LLC to be very responsive to our needs. They were eager to please and offered great rates" - John Hondros

Using the SBA Loan Programs in a Down Economy

As the economy continues to show all of the signs that a recession is around the corner, many lenders are reviewing their loan policies. Lenders will continue to closely monitor their portfolios, seeking opportunities to tighten credit policies to mitigate losses. In the past few years, money was available and lenders were very aggressively pricing and structuring their transactions with conventional products. Today, interest rates are continually dropping, but lenders credit boxes are smaller. Many financial institutions that opted to lend to their borrowers through those conventional products last year, will examine transactions to determine if an SBA product with a government guaranty is a more prudent lending decision.

Depending upon whom you talk to, there are some small business owners who believe we are already in a recession. With the increase in everything from energy costs to food, the small business owner continues to be one of our most important employment opportunities. So how do you as a lender continue to help your member and mitigate credit concerns?

If you've been an avid reader of our newsletters in the past year, you are aware of the SBA products. All credit unions can participate in the SBA 504 program. This program is designed for the purchase, construction, renovation or expansion of owner-occupied or owner-user real estate. This product is also available for large equipment purchases that have an economic life of 10 years or more. I am a very big advocate of the SBA 504 program. Your member can have a low down-payment, as little as 10%, and your credit union is in a first lien position for 50%, with a 10 to 15 year term and a 20 to 25 year amortization. A short interim bridge loan is made for 40% of the loan on behalf of a local Certified Development Company (CDC). Approximately 45 days after your loan is closed, the debenture to fund the bridge loan is sold in the secondary market and your credit union is paid down. The CDC/SBA 504 loan offers fixed rates for 10 or 20 years and are fully amortizing.

The other SBA product is the SBA 7(a) loan. This program is only available to credit unions that have been given approval by the SBA to participate. The SBA 7(a) program provides a guaranty to the lender. Those loan amounts range from \$0 to \$150,000 with an 85% guaranty and \$150,000 to \$2,000,000 with a 75% guaranty. The term of this loan is based on the sources and uses of proceeds and are fully amortizing with no balloon. Interest rates are floating and are tied to Wall Street Journal Prime. This program allows your member to finance all of their lending needs, from purchase, refinance, renovation, expansion, of real estate, equipment, business acquisition, franchise opportunities and provide permanent working capital.

The SBA allows you to offer small member business lending loans and mitigate concerns with industry, collateral and cap issues. If you want to learn more about SBA lending, please contact Cooperative Business Services, LLC.



Lorain Cooper
VP Business Lending/SBA

KEY RATES					
	Current	1 Month Prior	3 Month Prior	6 Month Prior	1 Year Prior
US T-Bill 1 yr Index	1.35	1.33	3.98	4.10	4.94
US T-Bill 3 yr Index	1.66	1.71	3.85	4.19	4.51
Prime Rate	5.25	6.0	7.25	7.75	8.25
US T-Bill 5 yr Index	2.34	2.36	4.03	4.35	4.47
US T-Bill 10 yr Index	3.39	3.34	4.41	4.69	4.56

Our sincerest thanks to everyone who contributed ideas, stories, or pictures for this issue.